

OFFICE OF
Janet L. Kalajainen



REGISTER AND RECORDER
LAWRENCE COUNTY

Lawrence County

Government Center
430 Court Street
New Castle, PA 16101-3593
Phone: (724) 656-2128
Fax: (724) 656-1966
recorder@co.lawrencepa.us



0595801-00120

RECORDING COVER PAGE

Page 1 of 10

Document Type: Oil & Gas Lease

Document Date: 07/28/2008

Transaction #: 536163

Document Page Count: 9

RETURN TO:

PENNECO PIPELINE CORPORATION
P O BOX 300, 6008 ROUTE 22
DELMONT, PA 15626-0300

SUBMITTED BY:

PENNECO PIPELINE CORPORATION
P O BOX 300, 6008 ROUTE 22
DELMONT, PA 15626-0300

PARCEL ID: 32-133900

NUMBER OF IDS: 3

PARTY 1: CHARLES V WILSON

CONSIDERATION/SECURED AMT: \$1.00

FEES / TAXES:

Recording Fee	\$18.50
SOV Fee	\$0.00
Extra Page Fee	\$10.00
Parcel ID Certification Fee	\$10.00

Total: \$38.50

Document #: 2008-009689

Recorded Date: 10/03/2008 02:52:52 PM

I hereby CERTIFY that this document
is recorded in the Recorder's Office of
Lawrence County, Pennsylvania



Janet L. Kalajainen
Recorder of Deeds

PLEASE DO NOT REMOVE
THIS PAGE IS PART OF THE RECORDED DOCUMENT

NOTE: If document data differs from cover sheet, document data always supersedes.
*COVER PAGE MAY NOT INCLUDE ALL DATA, PLEASE SEE INDEX AND DOCUMENT
FOR ANY ADDITIONAL INFORMATION.

OIL AND GAS LEASE

MADE and entered into the 28th day of July, 2008, by and between:

Charles V. Wilson and Judith A. Wilson

705 Wilson Road

Portersville, PA 16051

hereinafter called the "Lessor", and **Penneco Pipeline Corporation**, a Pennsylvania corporation, with its principal office located at 6608 Route 22, Delmont, PA 15626-0300, hereinafter called the "Lessee".

WITNESSETH: That the Lessor, for and in consideration of the sum of One (\$1.00) Dollar in hand well and truly paid by the Lessee, the receipt whereof is hereby acknowledged, and of the covenants and agreements hereinafter contained on the part of the Lessee to be paid, kept and performed, has leased and let and by these presents does lease and let unto the Lessee for the purpose of drilling and operating for and producing oil, liquid hydrocarbons, all gases, including without limitation, natural gas, methane gas, coalbed methane gas, and all constituent products.

Lessor also grants to Lessee the right to open, repair, maintain and use a roadway or roadways to wells or well locations on this or other lands, the right to conduct geological and geophysical surveys and explorations and the right to construct, lay, maintain, operate, change and remove pipelines, the right to install tanks, compressors, valves and other necessary appurtenances, and all other appliances and structures on, over, and through said lands, and with all other rights and privileges, including free oil, gas, gasoline and water from the lands, necessary or convenient for the operation of said land or other lands for the transportation of oil or gas produced from said land or other lands.

All that certain tract of land situate in Slippery Rock Township, Lawrence County and Commonwealth of Pennsylvania bounded substantially by the following lands:

North N/F Commonwealth of Pennsylvania

East N/F Commonwealth of Pennsylvania

South N/F Quality Aggregates

West N/F Baird

Certified by LR

Tax Map # 32133900 = 19.22 Acres / 32133800 = 124.43 Acres

32132600 = 90.162 Acres

Containing 234 acres, more or less reserving, however, Two Hundred (200') Feet from dwelling houses and barns now on the premises, on which no well shall be drilled by either party except by mutual consent. All of the oil produced and recovered and all of the gas (subject to reservation or exception of gas for Lessor's use as hereinafter set forth) produced and recovered under the terms of this Lease are hereby granted, bargained and sold unto the said Lessee. Lessor agrees that Lessee may enter upon the leased premises, search for and clean out any abandoned oil or gas well, and such well shall then be considered to have been drilled under the terms of this lease and the same may be properly plugged and abandoned again or refitted and utilized by Lessee for the production of gas. The leased premises may be fully and freely used by the Lessor for other purposes, excepting such as are used by the Lessee in operating hereunder. Lessee further agrees to pay Lessor for any damage to growing crops, trees and fences, caused by Lessee in operating this lease.

1. **LESSOR'S COVENANTS.** Lessor hereby covenants that he is seized of an indefeasible fee interest in the land herein before described, together with all the underlying oil and gas, and that he will forever warrant and defend the leasehold estate hereby demised unto the Lessee against the lawful claims and demands of all persons whomsoever, and that Lessee shall have the exclusive, full free and quiet possession of said described premises for the purposes and during the term herein set forth. Lessor further agrees that the Lessee at its option may pay and discharge, when defaulted, any taxes, mortgages or other liens existing, levied or assessed on or against the above described lands, and in the event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such mortgage, tax or other lien, any royalty or rentals accruing hereunder.

5 2. **TERM.** It is agreed that this Lease shall remain in force for the term of at least 5 year(s) from the date hereof, and as long thereafter as the above described land is operated by the Lessee in the search for or production of oil and gas. Any roadways and/or pipelines installed during the term of this lease, shall extend beyond the termination of this lease upon payment by Lessee to Lessor, as additional consideration for said easement rights, the amount of One (\$1.00) Dollar, per foot, for any pipeline installed upon said property or the amount of Two (\$2.00) Dollars, per foot, for any road installed upon said property. The aforesaid easement rights shall be extended so long as the same are maintained and utilized by Lessee, its successors and assigns.

3. **PAYMENT TO LESSOR.** In consideration of the premises the Lessee covenants and agrees as follows:

Gas Royalties: Lessee is to pay a royalty to Lessors equal to one-eighth (1/8) of the value of all gas produced, saved and marketed. The time and method of marketing gas produced from any well on the leased premises and the amount thereof that shall be used or marketed within any period of time shall be entirely within the discretion of the Lessee.

Oil Payments: Lessor specifically excepts and reserves, in lieu of royalty, one-eighth (1/8) of the oil produced and recovered by Lessee. Lessee shall market the one-eighth (1/8) interest of the Lessor in said oil, together with the seven-eighths (7/8) interest of the Lessee in the oil and may direct that all payments attributable to Lessors' one-eighth (1/8) interest in the oil shall be payable directly by the purchaser of the oil to the Lessor. Said payments to Lessor shall be made under the same terms and conditions as payments to the Lessee by the purchaser of said oil. The time and method of marketing oil produced from any well on the leased premises and the amount thereof that shall be used or marketed within any period of time shall be entirely within the discretion of the Lessee.

Total Paid in Advance.
DJC
CLW
juw
Delay Rental: Lessee covenants and agrees to pay a rental at the rate of \$300.00 Dollars per acre ~~annually~~ in advance, until a well producing oil and/or gas is drilled. The first delay rental payment shall be made within Ninety (90) days of this Lease. Any rental paid for the time beyond the date of drilling of a well shall be credited upon the first royalty due upon the same. It is agreed that Lessee may drill or not drill on the leased premises, as it may elect, and that the consideration and rentals paid and to be paid, constitute adequate compensation for such privilege.

4. **GAS EXCEPTED.** Lessor hereby excepts and reserves from any well on said land producing gas Three Hundred Thousand (400,000) cubic feet of gas per year, or such part thereof as Lessor requires for his own use in one dwelling house on said land, at Lessor's own risk; subject, however, to the use, operation, pumping and right of abandonment by Lessee of its wells and pipelines on the premises. Lessor may at his own expense and upon written application, secure such gas by a service line laid to and connected either to any such well on said land or to Lessee's pipeline leading from such well to market, the point of connection to be designated by Lessee. If Lessor in any year uses gas in excess of the quantity reserved or excepted, Lessor shall pay One Hundred and Fifty (150%) percent of the current well head price. In case of default in payment for gas used in excess of 400,000 cubic feet, Lessee is hereby authorized to deduct the amount thereof from any royalty or other payments that are then due, or may later become due, under the terms of this lease, but Lessee assumes no obligations to furnish Lessor with gas in excess of the quantity reserved or excepted. The measurement and regulation shall be by meter furnished by Lessee and regulators furnished by Lessor and set at the tap on the well or line.

5. **DIRECTIONS FOR PAYMENT.** All payments hereunder may be made direct to the Lessor or by check or draft payable to the order of:

Charles V. Wilson or Judith A. Wilson

And mailed to: as above

6. **SURRENDER.** It is agreed that said Lessee may at any time remove all machinery and fixtures placed on said premises; and further, upon the payment of One (\$1.00) Dollar and all amounts due hereunder Lessee shall have the right to surrender this Lease at any time as to all or any part or parts of the land covered by the same and thereupon shall be released and discharged from all payments, obligations, covenants and conditions herein contained whereupon this lease shall be null and void as to the land in respect to which a surrender is made. Lessor agrees that the recordation of a deed of surrender in the proper county, and the mailing in the Post Office of a check payable as above provided, for said sum or sums and all amounts then due hereunder, shall be accepted as full and legal surrender of the Lessee's rights under this lease, or under the portion surrendered.

7. **FORCE MAJEURE.** If and when drilling or other operations hereunder are delayed or interrupted by lack of water, labor or material, or by fire, storm, flood, weather, war, rebellion, insurrection, riot, strike, differences with workmen, failure of subcontractors, or failure of carriers to transport or furnish facilities for transportation, or as a result of some order, rule, regulation, requisition or necessity of the government, or any other recognized force majeure, or as the result of any other cause whatsoever beyond the control of Lessee, the time of such delay or interruption shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

8. **TRANSFERS AND ADVERSE INTEREST.** In case of a conveyance of all or part of the premises leased, Lessee may continue to make all payments to Lessor until furnished with the original or a certified copy of any such deed on conveyance or other documents or proof to enable Lessee to identify the land conveyed as being all or part of the leased land, or on written notice of any such conveyance, may hold all payments until furnished with such copy and other documents and proofs, and shall apportion the delay rental, and royalty, in case of any division, according to acreage. Said Lessee shall not be required in any event to increase the delay rental, or the gas or oil royalty payments hereunder by reason of any royalty or interest in said oil and gas that may have been heretofore sold, reserved or conveyed by said Lessor or by his predecessors in title or otherwise; and if the Lessor does not have title to all the oil and gas in the leased premises, there shall be refunded such part of all payments made by the Lessee hereunder, as shall be proportionate to the outstanding title, and payments thereafter to be made shall be reduced in the same proportion. In case of notice of, or an adverse claim to the premises, affecting all or any part of the rentals, or royalties, Lessee may withhold payment or delivery of the same until their ownership is determined by compromise, or by final decree of a court of competent jurisdiction, and to this end Lessee may file a petition for interpleader.

9. **LESSOR** further grants to the Lessee, its heirs and assigns, the right to unitize all or any part of this Lease with other leases to form a drilling unit or units of any size for development of the area. In the event this Lease is so unitized, the Lessor agrees to accept, in lieu of the royalty herein before recited, such proportion of the royalty above provided, as the area to be unitized from this Lease bears to the total acreage comprising the unit or may be negotiated between the parties at the time the unit is formed.

10. **AFFIDAVIT OF NON-PRODUCTION:** Lessors hereby warrant that (i.) the leased property is not encumbered by any enforceable oil or gas lease of record or otherwise and that (ii.) they are not currently receiving any bonus, rental, production royalty, or shut-in royalty as the result of any prior oil and gas leases covering any or all of the subject property, and that (iii.) there have been no wells drilled upon the subject property or upon any lands with which the property has been combined in a drilling or production unit, or in the event any well(s) have been drilled, that such have been plugged and abandoned.

11. **CONSTRUCTION:** No structures or obstructions shall be placed by Lessor within One Hundred and Fifty (150) Feet of any well drilled hereunder without the consent of the Lessee. No structures or obstructions shall be placed or maintained by Lessor and no earth shall be removed from or filled upon, or within Ten (10) Feet of any roadway or pipeline installed hereunder without the consent of Lessee.

12. **NON-COMPLIANCE:** In the event Lessor considers that Lessee has not complied with any of its obligations hereunder, either expressed or implied, Lessor shall notify Lessee in writing setting out specifically in what respects Lessee has breached this contract. Lessee shall then have 30 (thirty) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by Lessor. The service of said notice and the failure to cure the purported lease violation shall be a condition precedent to the bringing of any action by Lessor on said lease for any cause, and no such action shall be brought until the lapse of 30 (thirty) days after service of such notice on Lessee. Neither the service of said notice nor the doing of any acts by Lessee aimed to meet all or any part of the alleged breaches shall be deemed an admission or presumption that Lessee has failed to perform all of its obligations hereunder.

Lessor(s) shall have the right to approve the location of wellsites, roadways and pipelines. Said approval shall not be unreasonably withheld.

Attached Addendum A incorporated herein.

It is agreed that all terms, conditions, limitations and covenants between the parties hereto shall extend to their respective heirs, successors, personal representatives and assigns, that the entire contract and agreement between Lessor and Lessee is embodied herein, and that no verbal warranties, representations, or promises have been made or relied upon by Lessor or Lessee supplementing, modifying or as an inducement to this agreement.

IN WITNESS WHEREOF the parties to this agreement have hereunto set their hands and seals the day and year first above written.

WITNESS:

[Signature]

[Signature]

[Signature]

Charles V. Wilson

[Signature]

Judith A. Wilson

"Lessors"

PENNECO PIPELINE CORPORATION

"Lessee"

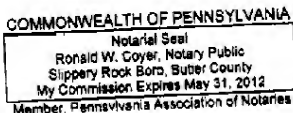
COMMONWEALTH OF PENNSYLVANIA)

COUNTY OF Butler)

On this, the 28 day of July, 2008, before me, a Notary Public, the undersigned officer, personally appeared Charles V. Wilson & Judith A. Wilson

known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledged that she/he executed the same for the purposes therein contained.

In witness whereof, I hereunto set my hand and official seal.

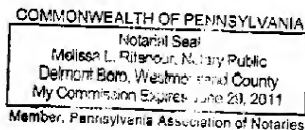


[Signature]
Notary Public

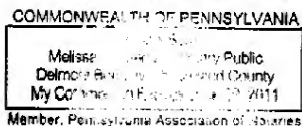
COMMONWEALTH OF PENNSYLVANIA)

COUNTY OF WESTMORELAND)

On this, the 12th day of Sept., 2008, before me, a Notary Public, the undersigned officer, personally appeared Terrence S. Jacobs, who acknowledged himself to be the President of Penneco Pipeline Corporation, and that as such President, being authorized to do so, executed the foregoing instrument for the purpose therein contained by signing the name of the corporation by himself as President.



In witness whereof, I hereunto set my hand and official seal.



[Signature]
Notary Public

*Exhibit A
Addendum
To That Certain Oil and Gas Lease By and Between*

*Penneco Pipeline Corporation
of
6608 Route 22
Delmont, PA 15626-0300
hereinafter referenced as Lessee*

AND

*Charles V. Wilson and Judith A. Wilson, husband and wife
of
705 Wilson Road
Portersville, PA 16051
hereinafter referenced as Lessors*

To That Certain Oil and Gas Lease Dated July 28, 2008 covering 234 acres.

All of the terms and conditions in this Exhibit A to this Lease shall be controlling, and to the extent they shall either conflict with or are inconsistent with the provisions in the said Lease dated July 28, 2008, they shall be deemed modifications, supplements, and amendments to the terms of, and shall supersede any and all terms or conditions of the aforescribed Lease.

1. The Lessor does not warrant or agree to defend the title to the premise and Lessee shall perform, at its own cost and expense, all title examinations necessary to satisfy itself as to its rights under the terms of this Lease. Lessor agrees, however, that there are no rights or claims not of record which would affect the right of the Lessee to the best of Lessor's knowledge. Lessee accepts the said Lease subject to all matters of record or disclosure known or unknown, by inspection of the premise.
2. The Lessee hereby agrees to indemnify and hold Lessor harmless from any and all claims, demands, actions or causes of actions, known or unknown, which may arise as a result of this Lease or any activity, use or occupation of the leased premise by the Lessee or any personal entity with whom it has any contractual relationship, or any agents, employees, representatives, or other third parties on the premise, including attorneys fees for Lessor if he is named or have to defend any action whatsoever.
3. The final location of all well sites, tank sites, meter and separator sites, access routes, power stations, service lines and pipe line locations in the area occupied by each or any similar required item or items of the same, shall be approved by Lessor in writing, before any activity upon the leased premises is authorized to commence by Lessee or any agent or party thereunder through use of this Lease Agreement. Requested sites not to be unreasonably denied. No Well, line or use will be undertaken in an area to be mined for limestone or will interfere with said limestone mining process.

4. There shall be no pooling or unitization of this Lease with any other lands as provided for in the Lease Agreement, unless Lessor grants such permission in writing prior thereto.

5. The Lessee agrees that within thirty (30) days of termination of this Lease for any reason based on the terms and conditions contained herein, on request of the Lessor, Lessee will deliver to the Lessor a cancellation and release of this Lease in a recordable fashion.

6. All pipe lines and electrical or telephone service lines shall be installed underground at a depth sufficient so as not to interfere with the Lessor's farming or other use of the leased premises, with no right of way for any of these items granted herein and requiring further written consent along with locational choice of the Lessor in writing required before any placement, and for use of transportation of the Lessor's gas or oil only. There is no right of way granted for pipelines of any kind to transport gas or oil of any party other than from the Lessor's land herein, which requires the above referenced consent and location to undertake the same.

7. The Lessee agrees that if any pipeline, telephone or telephone service line right of way is granted as required in writing by the Lessor that they will be placed along property lines of Lessor so as to not interfere with any potential economic uses of the property.

8. The Lessee shall be responsible to Lessor for all damages to growing crops, fences, buildings, springs, lakes, water wells, driveways, stone, or pipe ditching systems, for all uses upon the leased premise and all damage to the surface of Lessor's property and improvement situate thereon.

9. The Lessee agrees that this Oil and Gas Lease and the Exhibit hereto are not assignable and may not be sublet to any other company, person, or entity of any kind, other than to Investors through Lessee, or its entities for management and drilling on the property by Lessee or its entities, only, without first providing written notice of any assignment or subletting prior to the same being undertaken or effective.

10. Lessee agrees that prior to plugging or abandonment of any well on Lessor's premise, that Lessor has the first right of refusal to purchase said well and necessary appurtenances at the then fair salvage value. Lessor must notify Lessee after receipt of written notice of their intention for purchase or refusal within thirty (30) days of the date of notice to Lessor, by certified mail, and if Lessor agrees to purchase said well, Lessor must agree to assume all responsibilities under state rules and regulations in regard to said well or wells. The Lessee hereunder has the first obligation to notify Lessor in writing to their address herein listed to obtain the consent of Lessor for said purchase, if Lessors do not agree, it will be the sole and exclusive responsibility of Lessee to perform any required plugging abandonment etc., as required under any State or Federal law or regulation.

11. The Lessee agrees that the Lessor in accordance with lease paragraphs, that the Lessor will receive one-eighth (1/8) of the sale price of any and all Oil or Gas produced from the property based on the Fair Market Sale of said through an arms length transaction to the end consumer minus any reasonable transportation cost if any thereon. It is further agreed that the Lessor will have the right to inspect any and all sales or production records from any and all Oil and/or Gas produced and/or sold off the leased premise on providing Lessee 10 days

written notice of said request with the inspection and/or review undertaken at the Lessee's place of business.

12. The Lessee agrees that this Lease and Exhibit thereto do not give the Lessee a right of way to transport Gas produced on other properties through, across or under the property described in the Lease hereto, other than transportation of gas produced on the property described in this Lease. It is further agreed, by the parties hereto that any pipeline right of way will require the prior written consent of Lessor hereto, as outlined herein.

13. It is agreed by the Lessee as outlined in the free gas paragraph in the Lease hereto, that 400,000 cubic feet of gas shall be taken each year, free of cost to the Lessor, for any use on the property and said will be used at Lessor's own risk. The Lessor will have the right to connect or tap into the closest well for this free gas use herein. If no free gas is used by Lessor in any given calendar year, at the end of said calendar year Lessor shall be compensated for 400,000 cubic feet of gas at the well head rate, being the full value of the same instead of the one-eighth ($1/8^{\text{th}}$) royalty on the same for any given year.

14. The Lessee agrees that any well drilled will be produced to its reasonable capacity and no well will be shut in for storage. The well may be shut in for routine maintenance, operational necessities, and sound business decisions by Lessee for price considerations and/or inability to market the gas. If all wells drilled under the terms of this lease are shut in for any other reason for a period in excess of six (6) months, Lessee will pay the delay rental of \$100.00 per acre, per year, until productions starts again.

15. The Lessee agrees to pay to Lessor as delay rental of two hundred and fifty dollars (\$250.00) per acre for a five (5) year Lease term period. This payment shall be paid in advance and within ninety (90) days of the date of this document paid to Lessor herein. This is a paid up Lease for the five (5) year term. In consideration of the payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term, or to make any additional payments during the primary term of five (5) years.

16. Lessee shall test Lessor's domestic water supply (as to quality and quantity) prior to commencement of, drilling operations on said land. In the event it is determined that said operations have adversely affected said water supply, then Lessee, at its own expense, shall take all steps necessary to return or replace said water supply to pre-drilling conditions. Lessor shall not hold the testing lab liable for any damage caused to Lessor's water supply while performing the quality test.

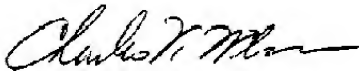
17. Lessee shall construct or install all well sites, access roads and pipeline rights-of-way in a manner, which would minimize any related soil erosion. Further, any related surface reclamation shall be in a manner, which restores said land as nearly to original contours as reasonably possible.

18. Lessee shall promptly replace any fences removed by Lessee during its operations on said land and further, shall construct gates on all access roads on said land upon request by Lessor.

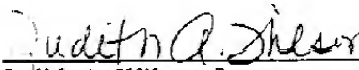
19. The Lessee and Lessor herein, agree that time is of the essence under this Agreement and Exhibit thereto, and that the Laws of the Commonwealth of Pennsylvania will govern this Agreement. The terms of this lease run to the parties heirs, successors or assigns.

20. Lessee hereunder shall be responsible for maintaining the existing quality and quantity of water supplies on the leasehold lands insofar as such water supplies (as to quantity and quality) could be or are altered by lessee's operations conducted pursuant to this agreement. Lessee shall take such measures as it deems necessary and in concert with prudent practices to protect such water supplies (i.e. but not limited to the setting of water protection stings of casings.) Lessee agrees to conduct a pre-drilling survey of water supplies within 1,000 feet of any proposed well locations prior to such drilling. In the event that a dispute or claim arises following the drilling and completion of a well(s) on the leasehold premises then lessee shall submit to the regulatory oversight and determination of current existing statutes of the Pennsylvania Department of Environment Protection Bureau of Oil and Gas Management and in accordance with existing code provisions of the Oil and Gas Act.

WHEREFORE the parties hereto with intent to be legally bound have executed this Lease and Exhibit A thereto on the day first above written.



Charles V. Wilson, Lessor



Judith A. Wilson, Lessor



Penneco Pipeline Corporation by ITS PRESIDENT, Lessee
TERRENCE S. JACOBS

COMMONWEALTH OF PENNSYLVANIA

:

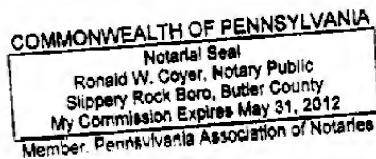
: SS:

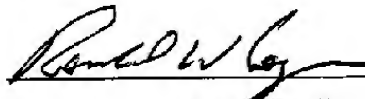
COUNTY OF BUTLER

:

On this 28th day of July, A.D. 2008, before me, a Notary Public the undersigned officer, personally appeared before me **Charles V. Wilson** and **Judith A. Wilson**, husband and wife, known to me (or satisfactorily proven) to be the persons whose names are subscribed to the within instrument and acknowledged that they executed the same for the purposes therein contained.

IN WITNESS WHEREOF I hereunto set my hand and official seal.




Notary Public

COMMONWEALTH OF PENNSYLVANIA

:

: SS:

COUNTY OF BUTLER

:

On this 12th day of September, A.D. 2008, before me, a Notary Public the undersigned officer, personally appeared before me **Penneco Pipeline Corporation by** _____, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument and acknowledged that he/she executed the same for the purposes therein contained.

IN WITNESS WHEREOF I hereunto set my hand and official seal.



Notary Public

